



THE SENTINEL

Newsletter of the Utah Division of Securities

April 2007

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ARE EDUCATED INVESTORS RECKLESS INVESTORS?

A recent article in the Wall Street Journal¹ described a study that found middle-aged investors are the most financially knowledgeable and that financial savvy hits its peak around age 53. The study noted that the experiences and wisdom of middle-aged investors more than compensated for reductions in cognitive ability.

There is a dark side, however, to this financial savvy. A May 2006 study conducted for the NASD found that these investors were also the most common victims of investment fraud.² It appears that the same skills that make one financially savvy also contribute to being victimized by investment fraud.

The NASD study report provides very interesting reading.

The study revealed two surprising findings for regulators: victims of investment fraud have different profiles than had been assumed and investor education efforts need to be directed more toward fraud warnings than general financial literacy.

Profile of Fraud Victims. Contrary to the expectations of many, typical investment fraud victims are not elderly widows and unsophisticated workers. Instead, victims are most likely to have the following characteristics:

- *They score higher on financial literacy tests than non-victims.*
- *They are more likely to be men than women.*
- *Most are married.*
- *They have higher-than-average levels of education and income.*
- *They are more likely to listen to unsolicited sales pitches or attend free seminars on investing.*
- *They are more likely to be men than women.*
- *They typically have experienced more difficulties from negative life events such as illness or financial trouble*
- *They are more optimistic about the future.*

¹ Wessell, *Why Middle Age May be Good for your Wallet*, Wall St. J., Mar. 22, 2007 at A1

² http://www.nasdfoundation.org/WISE_Investor_Fraud_Study_Final_Report.pdf

Influence Tactics. Promoters of investment frauds use a wide array of “influence tactics” to defraud victims. In the process, the fraud pitches are tailored to match the psychological weaknesses of the victims. Fraudsters were found to have used multiple tactics in each pitch and the pitches were customized to match investor profiles. These pitches typically involve long conversations used to profile the victims. The conversations allow the con artists to customize their pitch by targeting the psychological profile of each victim. Some of the most common influence tactics are:

- *Phantom fixation (prospect of wealth)*
- *Scarcity (making the product seem rare)*
- *Source credibility (appearing to come from known legitimate business)*
- *Comparison (juxtaposing product against expensive alternatives)*
- *Friendship (befriending the victim)*
- *Commitment (victim makes early commitment, then is pushed to increase it)*
- *Social consensus (appearance that everyone is buying)*
- *Fear (using fear and intimidation)*

What is the solution? The study suggests that investors limit the amount of personal information they offer to salespersons over the telephone or in person. This is awkward since legitimate brokers do need to know this information to ensure that products sold are suitable.

“But, in the hands of a criminal con man, personal facts about one’s life can be used as a weapon against them.” Id. at 12.

The study recommends that investor education efforts put more emphasis on identifying frauds and teaching how persuasion tactics work. The same should

be true for securities practitioners and investment professionals. Teach your clients about fraud tactics. Help them spot the indicia of fraud, then report those fraud solicitations to the Division. As we say in public presentations, *“If the seller is not licensed and the offering is not registered, those are big red flags that an offering is fraudulent. Investors should deal only with licensed securities brokers or investment advisers.”* After all, every dollar lost to fraud is a dollar that cannot be used to earn a profit for investors and advance the economic development of our state.

INVESTOR EDUCATION

During the first quarter of the year, Division employees made presentations to thirteen groups, teaching about investment fraud. The groups included law enforcement, SEC examiners, those providing services to seniors, junior high and high school students involved in the Stock Market Game, classes of college students, citizens attending the United Way’s “Utah Saves” campaign, and AARP’s Staying Sharp program. These seminars were held in places ranging from Salt Lake to Vernal to Washington, D.C.

The Division also will be showing a series of public service announcements on two television stations, KSL and KUTV, over the next few months.

We hope these television spots will educate investors and encourage them to work only with reputable – licensed – securities professionals. Please tell us your opinions of these PSAs.

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LEGISLATION

There were four bills introduced in the 2007 legislature that affected the Division of Securities. **Senate Bill 121** would have raised the limit on how much money can be retained in the investor education and training fund at the end of each fiscal year. The bill did not pass due to concerns about its fiscal impact.

Senate Bill 277 passed. This bill repealed legislation passed in a special legislative session in May 2006 that would have required all broker-dealers to report information to the Division regarding settlement failures. The reporting law triggered a law suit by the SIA (now SIFMA).

An amendment to the Utah Money Management Act passed. **House Bill 307** requires that monies being invested by public treasurers be held by certified dealers. This is intended to reduce the risk that public monies might be lost while held by unlicensed intermediaries.

A bill was introduced to affect how the Division brings disciplinary actions against licensees. **House Bill 153** would have required more involvement by the Securities Advisory Board. The bill was changed during the session after discussions between the sponsor and the Division. The legislative session ended before the revised bill could be voted on.

SENIOR DESIGNATIONS

In the last few years, the Division has noticed an increase in the use of various designations by financial professionals, particularly designations seemingly customized to impress senior citizens.

Some professionals using these senior designations do so to create a false level of comfort among seniors by implying a certain level of training on issues important to the elderly. However, the education, experience, and knowledge required for different senior-oriented designations vary greatly. In some cases, a financial professional may need to complete rigorous programs of study, pass extensive examinations, and work in a designated field for several years to receive a particular designation. In other cases, it may be relatively easy in terms of time and effort to receive a senior-oriented designation, even for an individual with no relevant experience. In these instances, the training received is often nothing more than learning marketing techniques to target the elderly.

The Division's concern with the use of these designations is that these designations may convey to elderly investors that the holder of the designation has a certain expertise in matters dealing with seniors, when in fact the holder has no expertise other than in marketing high-commission products to vulnerable seniors. Holding oneself out as a "senior specialist" in connection with the offer or sale of securities, where no such expertise exists, would be deemed a deceptive and fraudulent practice by the Division.

Furthermore, sham "*senior specialists*" commonly target senior investors through senior-oriented seminars where the specialist reviews seniors' assets, including securities portfolios. Typically, the "*specialist*" recommends liquidating securities positions and using the proceeds to purchase indexed or variable annuities or some other high-commission product

the “specialist” offers. In such instances, the Division would deem the “*specialist*” to be providing investment advice, thereby requiring licensure as an investment adviser/investment adviser representative under Utah’s Uniform Securities Act. Failure to license prior to providing such investment advice could subject the “*specialist*” to administrative, civil, or criminal action by the Division.

There are many designations that do, in fact, focus on improving the knowledge, skills, and high ethical standards of financial professionals. The Division recognizes five such designations:

- 1) Certified Financial Planner (CFP);
- 2) Chartered Financial Consultant (ChFC);
- 3) Personal Financial Specialist (PFS);
- 4) Chartered Financial Analyst (CFA); and
- 5) Chartered Investment Counselor (CIC).

Some of the factors we examine when faced with questions about the legitimacy of designations are whether the credentialing organization has standards of ethics, the extent to which the entity disciplines its members, the type and extent of training involved, and the background of the entity. Another important question is whether the sponsoring entity has been accredited by NOCA, the National Organization for Competency Assurance.

The Division encourages financial professionals to continually improve their knowledge and skills, especially as the population ages. It is important, however, that the public not be misled.

We expect licensees to avoid the use of designations that are primarily marketing gimmicks and ask that you notify the Division if you become aware of someone engaging in the deceptive practices described above.

* * *

STATISTICAL INFORMATION

Licensing Activity	1st Quarter	Mar 31st
Broker-dealers	52	1,691
Broker-dealer agents	2,742	76,845
Inv. advisers (state)	8	162
I.A. representatives	261	2,125
Issuer agents	3	75
Filing Activity		YTD
Coordination registration	47	47
Qualification registration	0	0
Mutual funds/UIT’s	1,205	1,205
Regulation D filings	237	237
Exemption filings	6	6

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DECEPTIVE PRACTICES

The Division reminds securities professionals to take special care to avoid deceptive practices. There are many types of practices that might be deceptive; any attempt to list them would be incomplete. Nevertheless, based on the conduct found in several recent enforcement actions against licensees, the Division is highlighting several practices as examples of conduct that is likely to be viewed as deceptive, dishonest, or unethical.

- Advertising or holding a seminar billed as “*educational*,” when the primary purpose of the seminar is to sell products, solicit customers, or learn information about the financial assets of seminar attendees.

- Exaggerating investment expertise or claiming credentials that are not deserved. For example, it is inappropriate for an agent to claim to have written a book or to have been featured in a magazine if the agent had paid for the printing of the book or magazine.

- An agent claiming to be "independent," when in fact the agent is affiliated with a broker-dealer or investment adviser. Any agent of a broker-dealer or investment adviser has a securities license only through the employing broker-dealer or investment adviser. It is inappropriate to assert that you are independent unless you are, in fact, a broker-dealer or investment adviser. An agent who uses an assumed name (a dba) for marketing or financial reasons should be careful to avoid asserting that her assumed name is a broker-dealer or an investment adviser or that the agent is independent because of the assumed name.

Reviewing the licensing actions taken by the Division also should serve as a reminder of practices that should be avoided. These actions can be found on the Division's web site and are summarized in each edition of this newsletter (which also are on the web site).

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EVALUATION OF SERVICES

The prior Sentinel newsletter contained a form soliciting your comments on how well the Division carries out its responsibilities. A sharp-eyed reader pointed out that the form did not indicate how the completed form should be returned to the Division. We apologize that in formatting the evaluation form for printing, the return information was deleted.

These forms can be returned via mail to: PO Box 146760, Salt Lake City, UT 84114-6760, via e-mail at **security@utah.gov**, or via facsimile (801) 530-6980. A copy of the form can be found on our web page at **www.securities.utah.gov**.

We plan to include a summary of comments in the next issue of The Sentinel.

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ELECTRONIC VERSIONS OF THE SENTINEL NEWSLETTER

The Division will begin making electronic versions of the newsletter available to anyone who would like the electronic version in lieu of, or in addition to, the copies currently being mailed. If you would like to receive future editions of this newsletter electronically, please send an e-mail to **security@utah.gov**. Please include your e-mail address. We also ask that you indicate whether the electronic version should be in lieu of the printed version currently being mailed to you.

* * *

ENFORCEMENT

Enforcement Actions More information about these cases can be found in the press releases and copies of orders on the Division's web site. www.securities.utah.gov. Remember that all defendants are presumed innocent until found guilty after trial or entry of a plea.

January

Jan. 3, 2007. The Utah Attorney General filed five felony criminal charges against **Larry M. Rasmussen** of Sandy for promoting a real estate fraud. Rasmussen is accused of taking \$15,000 in investments to be

secured by homes he said he was building in Syracuse, Utah. He offered 20% profit, saying the investment had no risk. He failed to disclose outstanding unpaid judgments and did not give adequate information to investors. He was also charged with theft relating to a stolen check.

Jan. 5, 2007. **Philip T. Jessee**, of Farmington, Utah was charged with ten counts of securities fraud and two other counts of communications fraud and racketeering by the Attorney General. He is accused of taking \$6.2 million from 60 investors for investments in various mortgage companies. Investors were told they would earn 17-19% profit. Some investors were told their promissory notes were secured by real estate and, in some cases, falsified trust deeds were given to investors.

Jan. 19, 2007. A default cease and desist order was entered against **Denise Sullivan**, of Las Vegas, for attempting to deceive the public markets that a company she started was a public company. Sullivan was president of Flavor Brands, Inc., a company formed in 2005 with the same name as a Utah company that had gone out of business in 1999. The new company used the same stock symbol as the prior company and told the Pink Sheets that it was a successor entity. Docket No. SD-06-0060.

Jan. 25, 2007. **Kevin L. Wright**, of Washington County, was the subject of an Order to show cause alleging he took a \$100,000 investment to purchase three properties in Nevada. The Division alleged he promised to pay the investor \$399,000 at the end of the following month. Wright allegedly said the money

would be used to complete the purchase of the three properties, promising to give the investor ownership of the properties if the investment was not repaid on time. In fact, the Division alleges Wright did not purchase any of the properties he showed to the investors and failed to disclose outstanding judgments he owed. Docket No. SD-07-0001.

Jan. 25, 2007. An Order to show cause was issued against **The Cantamar, LLC, Glenn A. Britt, and Mauro E. Lobato**. Britt and Lobato are from Davis County. The three are accused of taking money from investors, claiming the funds would be loaned to contractors working on large construction projects. Investors put up \$309,033 based on promises they would earn up to 60% per year. Britt was charged criminally for this conduct in July 2004. In March 2005 he entered a plea and agreed to pay \$23,000 in restitution, but failed to disclose the existence of these investors in that proceeding. Docket No. SD-07-0002.

February

Feb. 1, 2007. A default order to cease and desist violating the Utah Securities Act was issued against **David F. Hull**, of Boise, ID. Hull had sold stock in Tambora Financial Corporation to a Summit County investor for \$7,500, saying Tambora was a holding company for insurance companies and would soon become a publicly held company. This was another example of “*affinity fraud*”; Hull solicited the investor when they both served on the board of directors of a Park City church. The order found that Hull violated the law by making false statements and omitting to disclose material information. Docket No. SD-06-0088.

Feb. 2, 2007. **Kerry Rex Smith**, of Utah County, pleaded no-contest to a second degree charge of securities fraud. Smith had been charged in March 2004 by the Attorney General with four counts in connection with \$20,000 taken from an investor in 1999. Smith falsely told the investor he was a licensed broker and that the money raised would be held in a bank. He said the money would secure other investments being made and would earn a 10% return within three months. The money actually was used to pay other investors and personal expenses.

Feb. 2, 2007. **Greenmill Services, Inc.**, of New York, and three of its partners, **Michael Preston, Leo Wagner, and Ralph DiFalco**, were the subject of an order to show cause issued by the Division. The four are accused of taking \$77,800 from eight Utah residents to buy stock in three companies: ETC Solutions, Turbo Scan, and NY Railroad.com. Investors were told these companies were going to go public soon and investors would earn profits of at least \$40,000 per month. A variety of fraudulent practices allegedly were used, including claiming the money was being held at the World Bank. Most of the money taken from investors was used to pay personal expenses such as cell phone bills, Direct TV, and Internet access. Docket No. SD-07-0005.

Feb. 2, 2007. An order to show cause was issued against **Frank J. Gillen**, of San Diego, CA. The order alleges that Gillen took \$30,000 from an investor to buy stock in a publicly-traded Utah company named Garb Oil and Power. According to the OSC, Gillen told the investor that Garb Oil had substantial business worldwide, including a contract to ship steel from

Russia to China. The investor was told his money would be used to buy a block of stock that would be resold to others at a huge profit. The investor allegedly was instructed to open brokerage accounts at two Utah-based broker-dealers, to receive the block of shares being purchased. The shares were never delivered. Docket No. SD-07-0009.

Feb. 5, 2007. An order was entered against **Hydro-Clean Fuel Systems, Inc., Ensentech, Inc., Gary L. Davis, and Gary G. Scott**, by consent. The two companies are based in Gardnerville, NV. Davis, who was president of Hydro-Clean is from Garland, UT and Scott, who was president of Ensentech, is from Centerville, UT. The companies raised money from approximately 50 investors in Utah and elsewhere, telling them the companies were developing alternative energy sources. The companies agreed to cease and desist violations and paid a \$10,000 fine. \$85,000 was paid to an investor who sought rescission. Docket No. SD-05-0048.

Feb. 5, 2007. **Douglas W. Merritt**, of Layton, UT was sentenced on his December 2006 guilty plea to securities fraud. Merritt solicited money from investors for day trading of securities, claiming the money would be kept in a bank, but used as collateral. Merritt told investors there was no risk and promised a 470% return. Merritt claimed a net worth of \$30 million and two Ph.D degrees, which was not true. He neglected to tell investors about his prior convictions for securities fraud and theft. He was sentenced to up to 15 years in prison, but given probation and ordered to pay restitution of \$73,900.

Feb. 8, 2007. An order to show cause was issued against **David C. Young**, of South Jordan, UT. The order alleges that while he was a licensed agent of Waddell & Reed from 2001 to 2003, Young sold a \$128,000 variable annuity contract to his mother-in-law. After taking a \$3,590 commission on the sale, Young is accused of making seven withdrawals from the account, totaling \$61,156.11. This was done by instructing Nationwide Life and Annuity to send money from the accounts to him. The money allegedly was used to make car payments, purchase an all-terrain vehicle, cover checking overdrafts, and withdrawn as cash. These payments from the account, caused the customer to also incur \$2,161 in surrender charges and to pay taxes on the withdrawn funds. Docket No. SD-07-0010.

Feb. 12, 2007. **Daniel D. Debenham**, of Sandy, UT pleaded guilty to three counts of securities fraud. Criminal charges were filed against Debenham in May 2006 for his role in promoting The Millionaire Investors Group (TMIG), a company that raised money to buy real estate. Debenham was owner and president of TMIG. Investors were promised 1% profit per month and given promissory notes evidencing their investments. In fact, the money was used to make mortgage payments and for landscaping other property owned by Debenham, to pay employees of TMIG, dining expenses, and five plane tickets to Hawaii. Sentencing will be on April 9.

Feb. 14, 2007. An order to show cause was issued against **Diabetes Medical Development Corp. (DiabMed)** and its president **Michael Clark**, both of Salt Lake. The OSC alleges Clark took \$10,000 from an investor, promising a return of the

investment within 90 days and a royalty payment on dialysis treatments to be performed by DiabMed. According to the order, Clark told the investor his "pulse insulin therapy" had restored sight to a blind diabetic patient. The investor was told his money would be needed only for 90 days until a \$10 million loan was funded. Docket No. SD-07-0011.

Feb. 14, 2007. **Equity Source, LLC.** and its manager, **Robert L. Harrington**, of Salt Lake, consented to a cease and desist order and paid a \$7,500 fine. They had used a web site to offer securities to the public, promising 14% returns on investment notes backed by Harrington's personal guarantee. The money was used to fund real estate development. Equity Source closed the web site immediately after being contacted by the Division. Its cooperation resulted in more lenient sanctions. The company will begin the process of getting approval to sell securities in compliance with the law. Docket No. SD-07-0013.

Feb. 15, 2007. **Kevin L. Wright**, of St. George, was charged by the Utah Attorney General with four criminal counts for allegedly defrauding an investor of \$100,000 in a real estate scheme. The pleadings allege that Wright told the investor he needed money to purchase three Nevada properties and he would repay the investor \$399,000 at the end of the next month. He showed three properties to the investor and said the investment would be secure because the properties would be recorded in the name of the investor. According to the charges, Wright did not purchase any of the properties and never disclosed outstanding civil judgments totaling \$327,000 and that he had been delinquent in paying state taxes for six years. This is the second

criminal case against Wright. In March 2006, he was charged with fraud for taking money from an investor in connection with a home purchase in Bluffdale. He later pleaded guilty, paid restitution, and was sentenced to jail, probation, a fine, and 500 hours of community service.

Feb. 16, 2007. A guilty plea was entered by **Clifton C. Sneed**, of Dallas. Sneed pled to three counts relating to \$92,000 taken from three Utah residents in an investment scheme involving advertising devices. One of the victims was an 84-year-old blind man. Sneed had personally guaranteed 16% return on the “*no risk*” investments in LCD screens called Ad Toppers. He said each screen would be placed in a high-traffic area and generate monthly income from advertisers. An investigation conducted by the Division revealed no machines were installed in locations reported by the company and no income was ever received from advertisers. The charges were first filed in March 2006 in connection with an order to show cause from the Division of Securities and an action by the SEC to freeze assets of related companies in Texas and California.

Feb. 20, 2007. A supplemental order was issued against **The Thornwater Company and Robert J. Grabowski**, of New York. Thornwater, a defunct broker-dealer and Grabowski, its former president, had consented to an order in August 2006 to pay a \$100,000 fine by November. When the Thornwater fine was not paid by the deadline, the Division initiated new proceedings against the pair. The new action, filed in December 2006, alleged a failure to comply with an earlier order. Thornwater and Grabowski reached agreement with the Division that if the

remainder of the fine was not paid by March 21, Grabowski would be immediately and automatically barred from the securities industry. The fine was paid by the deadline. Docket No. SD-06-0096.

Feb. 21, 2007. **Kerry D. Pipkin and Laurie A. Pipkin**, of South Ogden, UT, pleaded guilty to securities fraud and for selling securities without being licensed for taking \$10,000 from an investor, claiming the money would be used to finance operations of an Asian latex glove manufacturer. The pleas came in a case filed by the Attorney General in November 2006. The Pipkins had issued notes, promising 15% profit in three months by buying accounts receivable from the manufacturer of latex gloves. Around the time of the investment, the SEC filed suit against the California company supposedly providing the factoring, alleging a complete fraud. Rather than return the money to the investors, the Pipkins used it for personal expenses, including credit card payments, cell phone bills, mortgage payments, and paying child support.

Feb. 21, 2007. A federal grand jury returned a seven-count indictment against **Dennis T. Wynn** in a case investigated by the Division and prosecuted by the U.S. Attorney. The indictment alleges Wynn collected over \$15 million from at least 185 investors in Utah, Arizona, California, and Idaho from 1999 to 2002. Wynn is charged with mail fraud, securities fraud, and selling unregistered securities for using investor monies to fund the sales of used cars by the Wynn Company to consumers who were high credit risks. Investors were given promissory notes and told their investments were risk free because they were collateralized by the used cars

being sold. The indictment charges that Wynn knew the investments were not collateralized and knew that prior investors had not been paid while he was making no-risk promises to new investors.

Feb. 28, 2007. An emergency order to cease and desist was issued against **Cyberhand Robotics, Corp.** of Midvale and its president, **David Watson**, of Oviedo, FL. The order accuses Cyberhand and Watson of forming a new Utah corporation with the same name as a prior Utah company, then publicly offering stock under the false impression that it was the same company. In 1980, Utah-based American Surgery Centers sold \$1.3 million in a registered stock offering. In 1997, the company changed its name to DaLeigh Holdings Corp., but the company was administratively dissolved in 1998 for failing to file an annual report. The Division alleges that Watson formed a new corporation called Daleigh Holding Corp in 2006, then changed its name to Cyberhand Robotics. The company then authorized the issuance of one billion shares of stock and told the Pink Sheets that Cyberhand was the successor to the original DaLeigh. Docket No. SD-07-0020.

March

Mar. 7, 2007. At the conclusion of a three-day criminal trial in Fillmore, UT, **Jamis M. Johnson**, of Salt Lake, was convicted of securities fraud in connection with stock given to owners of a dairy farm in exchange for the deed to the farm. Johnson held himself out to the investors as president of **American-Dairy.com**. Investors were told that Johnson and his partner had access to \$10 million in refinancing and that the stock the farmers were getting in exchange for

their property would be worth \$5 per share when American-Dairy went public, which was to occur in the near future. Investors were not told about the prior business losses or large tax liens on Johnson and his partner or that they were both disbarred attorneys. American-Dairy promised to assume responsibility for operation of the dairy, but made no payments on existing loans and the property was foreclosed. An administrative proceeding against Johnson still is pending.

Mar. 8, 2007. **Dale Jones**, of Murray, UT, pleaded no contest to a second degree count of securities fraud for promising his business partner he could triple his money by investing in a mutual fund through Jones. Jones took \$20,000 from his partner under the name **Monarch International Holdings**, promising to return \$60,000 in one month. The investor was told the investment was 100% guaranteed. In actuality, Jones used the money for business expenses and cash withdrawals. Jones failed to disclose that he had \$246,000 in outstanding judgments against him and that he was not licensed to sell securities. The investor ended up filing bankruptcy as a result of the loss.

Mar. 14, 2007. A consent order was entered with **Mountain America Federal Credit Union** and two affiliated companies. They agreed to change the manner in which they advertise and provide investment services to their customers. The entities will cease receiving compensation from broker-dealers for executing securities transactions and will change their advertising to avoid giving the impression the credit union is providing the investment services. The Division was concerned that while the credit union did have a networking relationship with

a broker-dealer, some of the investment services were offered under the name Mountain America, rather than under the name of the broker-dealer. Mountain America paid a \$25,000 fine. Docket No. SD-07-0022.

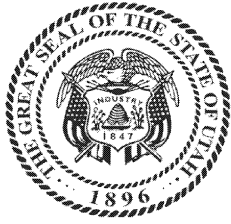
Mar. 16, 2007. A cease and desist order was entered by default against **Rym Technology Holdings, LLC** and its president, **Felix Daniel**, both of Michigan for claiming they could earn huge profits for investors who borrowed money on home-equity loans and gave the funds to Rym. The case stemmed from a web site promoted by Arizona-based **Penny Financial**, which promoted a "5 Years to Freedom Program." Under this program, homeowners who borrowed equity against their home totaling at least 25% of the value of the home would give the money to Rym and Daniel to invest. Investors were promised that after five years, the investments would have grown enough to pay off the entire amount of the mortgage. Rym and Daniel said the money would be used to finance large real estate deals such as apartment conversions in New York and China. The case is continuing against **Penny Financial** and its two officers. Docket No. SD-06-0100.

Mar. 22, 2007. **Michael S. Hurst**, of Fruit Heights, admitted violating the law and consented to an order to cease and desist illegal conduct in connection with a home-equity skimming fraud. Hurst admitted that he and his partner, **Kevin Wright**, persuaded a pair of investors to obtain \$810,000 in loans on a \$590,000 home being purchased, saying the difference would be used for a high-profit investment that would pay off the home loans. Instead, the money was used to pay a prior debt of

Wright and for a diamond scheme overseen by Hurst. Wright and Hurst both pleaded guilty to felony fraud charges and repaid the investors. This order concludes the Division's administrative proceedings in this matter. Docket No. SD-06-0009.

Mar. 26, 2007. **Kerry R. Smith**, of Utah County was sentenced in connection with a scheme in which he took \$20,000 from an investor saying he could earn 10% profit in only three months. He had pleaded guilty on Feb. 2, 2007. He was sentenced to up to 15 years in prison, but the sentence was suspended in favor of three years probation, the first 90 days with an ankle bracelet. He must pay \$25,000 in restitution, undergo "cognitive restructuring" counseling, and avoid being self-employed or acting in any fiduciary capacity.

Mar. 30, 2007. **Clifton C. Sneed**, of Dallas was sentenced on his February 16 guilty plea to three counts of criminal securities violations. Sneed had been convicted of taking \$92,000 from investors for advertising devices called Ad Toppers. The judge sentenced Sneed to up to five years in prison, but suspended the sentence and put him on five years probation. Sneed must pay \$92,000 in restitution and disclose all his assets and financial condition to the Attorney General's office.



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